



CITY OF HOUSTON

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June 1, 2009

SUBJECT: Letter of Clarification No. 2

**REFERENCE: Request for Proposal No.: S10-T23256 for

 DEPOSITORY BANKING SERVICES**

TO: All Prospective Proposers:

This Letter of Clarification is issued for the following reason:

- **The following questions and City of Houston responses are hereby incorporated and made a part of the Request for Proposal:**

1. **Vendor Question:** "Which RFP number should be noted on the Proposal response? S10-T23256 (or) S10-T23256." (Pages 1 and 2.)

COH Answer: "S10-T23256."

2. **Vendor Question:** "The RFP requests seven copies of the response to be submitted in a sealed envelope. Can we provide seven binders in one box that will be sealed and labeled; or would the City prefer to have each binder placed into an individually sealed and labeled envelope?" (Page 5, 1.1.)

COH Answer: "Per the Pre-Proposal meeting discussion, please submit a total of eight copies. However, please place one completed Price Form in an envelope and marked according to the instructions."

3. **Vendor Question:** "The RFP requests that the proposal be generated electronically. Does the City want to receive an electronic version of the proposal in addition to the seven paper copies? If yes, how would the City like to receive the electronic version of the Proposal?" (Page 5, 2.1.)

COH Answer: "Each Proposer shall submit one CD with electronic files of the original Exhibit-III, and on file of the Alternative Exhibit-III Price Sheet. The CD should be included within your box of eight RFP copies and eight original Price Sheets."

4. **Vendor Question:** "Please describe the City's current reconciliation process." (Page 18, 3.1.)

COH Answer: "City's reconciliation needs are described on page 22, section 15.1 under "Account Reconciliation Service."

5. **Vendor Question:** "Please provide the brand and model of current scanners and/ or equipment used by the City for capturing check images?" (Page 18, 3.5.)

COH Answer: "One scanner is used at Public Works, a Unisys NDP Quantum 300. Our Muni Courts department uses a Panini My vision X Check Scanner."

6. **Vendor Question:** "A series of questions lumped together requiring one collective response. What is total dollar (bills and coin) amount is deposited annually at the branch network? What is the total dollar amount & number of bags of coin deposited annually at the branch network off/pick up at Cash Vault? What total dollar (bills and coin) amount is deposited annually at the Cash Vault? What is the total coin amount deposited annually at the Cash Vault? What total dollar amount is ordered in change (both dollars and coin) annually at the branch? What total dollar amount is ordered in change (both dollars and coin) annually from the Cash Vault? Does the City utilize deposit envelopes in their cash vault deposits? [(If yes; how many envelopes are included in one deposit?) (If yes; does the city require the deposit to be verified by the envelope?)] Does the City have any special requirements (time, etc.) with regards to armored car drop off/pick up at Cash Vault?" (Page 18, 3.7.)

COH Answer: "The City has 16 separate entities that each have their own "deposit" bank account they use to accept payments, and each has their own practice regarding cash deposits. Public works is the largest and most active user of their deposit account, and currently deposits about \$280,000 per month in currency at the bank's vault via courier/armored car, with a deposit slip in the bag. No deposits are made at branches. They also obtain "change" from the bank twice a month. It should be noted that our Public Works department plans to stop accepting cash payments at the end of 2009, and this \$280,000 in cash deposits per month (and the need for "change") will go away at that time.

We are polling a sample of the other departments that accept cash and will have more detailed information available at a future date. Please note that Exhibit III, sections titled "Banking Center Services " and "Vault Services" provides a detailed listing of the types of cash related services provided and their frequency."

7. **Vendor Question:** "Please provide further information around the current child support payment process." (Page 20, 5.3.)

COH Answer: "Child support payments are processed in a manner similar to direct deposit of payroll. A file is transmitted from the City to the Bank with all ach payment instructions contained within the file."

8. **Vendor Question:** "The RFP requests that all pricing be placed on the "PRICING FORM." Due to different pricing structures, proposers are likely to have additional line items not available on the original pricing form that are necessary to price basic services. How does the City want proposers to handle additional line items on the pricing form?" (Page 22, 19.2.)

COH Answer: "Per the instructions on page 38 of 60, fully complete the original Exhibit-III Pricing Sheet and place in a marked folder. For any add-on changes or general modifications required for your firm, complete an Alternate Price

Sheet and submit it as well in a separate folder labeled, "Alternate Price Sheet. Eight copies of the Original Price Sheet should be all signed in blue ink, and the Alternate Price Sheet should be submitted in a separate envelope after signing them in blue ink."

9. **Vendor Question:** "Is current armored car services a contract directly with the City or arrange through your bank?"

COH Answer: "The armored car service is contracted by the City."

10. **Vendor Question:** "Which department deposits are being delivered to the branches? Does branch 'Deposits Immediate Verif' on Exhibit-III represent these deposits and/or does this also represent the cash portion of the deposit only or both cash and checks?"

COH Answer: "The following departments deliver deposits to branches: Public Works & Engineering (PWE); Finance, Administrative & Regulatory Affairs (ARA), Municipal Courts, Health & Human Services, Aviation, Fire, Police, Parks & Recreation, and the Library. This may be (depending on the department) in addition to using the bank vault. Exhibit III includes the deposits of both, cash and checks."

11. **Vendor Question:** "Could the City provide sample of deposit tickets, checks, vault bags, department deposit stamps you are currently using. Since this is a service that will flow charges through analysis it would be beneficial to know what the City currently use to provide a price quote."

COH Answer: "Yes, samples of deposit tickets, checks, and deposit bags are available. The department deposit stamps are ordered by the departments. Our current banker orders the departmental deposit tickers from 'Deluxe' and deposit bags from 'Superior'. Each department has their unique account numbers pre-printed on these deposit slips, and on the deposit bags as well. These charges are passed through to the City on the account analysis."

12. **Vendor Question:** "Could the City please provide volumes for "Safekeeping Services" not provided on Exhibit-III."

COH Answer: "We are not requesting safe-keeping services under this Contract."

13. **Vendor Question:** "The RFP states under section 9.0 Lockbox: the city maintains two low-volume wholesale lockboxes but Exhibit III has a maintenance volume of 24. Please explain the volume of 24? Also, does the city provide individual with a coupon with an OCR (Optical Character Recognition) line?"

COH Answer: "We have a monthly maintenance fee for each lockbox. The volume of 24 was calculated because we have two lockboxes for twelve months. Currently the City is not using the Optical Character Recognition (OCR) feature."

- 14. Vendor Question:** "Please define ADT Monthly maintenance, who does this differ from a ZBA Master or ZBA Sub Account? See Exhibit III – Depository Banking Services."
- COH Answer:** "The ADT monthly maintenance is on 19 City accounts that have funds swept to the main account. There are two accounts with little or no transactions: Firefighters Account, Section 108, and the Concentration Group Account listed as the ZBA Master Account."
- 15. Vendor Question:** "Is the Federal Home Loan Bank Letter of Credit an acceptable form of collateral?"
- COH Answer:** "If it is permitted by the government code under chapter 2257, 'Collateral for Public Funds,' we will accept it; assuming terms are approved by the City of Houston Legal Department."
- 16. Vendor Question:** "Merchant Services for collection of payment and P-Card – are these services bid out separately?"
- COH Answer:** "Yes."
- 17. Vendor Question:** "Can the RFP be provided in a word document?"
- COH Answer:** "The solicitation document is in a pdf-file Word format. Please download this online document and complete as is."
- 18. Vendor Question:** "Clarification: The Proposal should be electronically generated and the printed original signed in ink. Is the City asking for the RFP to be provided on CD ROM as well?"
- COH Answer:** "Download the entire RFP and attached Pricing Form from the COH Website. Complete the forms within the RFP and all its requirements, and place the RFP's Pricing Form into a separate envelope contained within your submittal package. Included in your eight-RFP submittal shall be an electronic CD file with an Excel Spreadsheet of your Pricing Form. At your preference (SPD recommended), you may also submit your 'Alternative' and Original Pricing Forms in an Excel format on a CD. Per the RFP instructions, submit everything in hard copy to the City Secretary's Office by due date."
- 19. Vendor Question:** "As per the requirement to submit pricing separately from the Technical proposal, how many copies of the pricing forms do you require?"
- COH Answer:** "Eight original and eight 'Alternative' Price Forms, if necessary."

20. Vendor Question: "As part of our effort to be environmentally responsible and to 'go green', will you accept electronic links to our financial statements (these are extensive documents). Yes, you may provide a valid link to your Financials, but specify this in your RFP."

COH Answer: "Yes, we will accept electronic links for financials, but specify this in your RFP."

21. Vendor Question: "As per section 8.0, Contents, while it is stated that we are required to include Exhibit 1, Attachments A and B (pages 29-31), there is no reference to Attachments C and D (pages 32-33). Are we required to provide completed, signed copies of these attachments?"

COH Answer: "Complete Attachments A, B, and C. Attachment D will be required later by the yet-to-be-determined awarded Proposer. Per Jim Moncur of the Controller's Office, it was agreed that all 'supply contracts' are a suitable substitute for subcontracts."

22. Vendor Question: "As per section 8.0, Contents, while it is stated that we are required to include Exhibit VII, Attachments A, B and C (pages 52-55), there is no reference to Attachment D (p. 55). Are we required to provide a completed, signed copy of this attachment?"

COH Answer: "Attachments C and D are on the same page (55). Complete both parts--top and bottom."

23. Vendor Question: "Do they plan to eliminate checks and mandate that wages are paid either by direct deposit or the card?"

COH Answer: "We currently believe a small number of employees will always receive checks on a temporary basis. These are the employees that have been recently hired and have not yet had the opportunity to set up direct deposit arrangements."

24. Vendor Question: "Please provide the percentage breakout of payments made by direct deposit, check, and Payroll card today."

COH Answer: "About 1.5% of employees receive paper checks. These are mostly recently hired employees who have not yet had time to set up direct deposit or paycheck arrangements. About 2% of employees receive their pay by a payroll card, which from the City's standpoint is no different than a direct deposit ACH payment. The balance of employees are on direct deposit."

25. Vendor Question: "How are you currently utilizing Image Cash Letter? Do you have a third party scanning the checks and invoices?"

COH Answer: "We are currently not using 'Image Cash Letter'; however, there is scanning for checks, but not for invoices."

26. Vendor Question: "On the Depository Banking Services Pricing Form page 38 what is ADT Monthly Maintenance Charge?"

COH Answer: "This charge is for the movement of funds from the City's 19 ADT accounts."

27. Vendor Question: "On the Depository Banking Services Pricing Form page 40 under Automated Clearing House what is "ACH Services - Transaction" and "ACH Services - Reformat"?"

COH Answer: "The ACH Services-Transactions are those transactions that come through the City's depository accounts. The ACH Services-Reformat is reformatting/translating the item to make it compatible with the City's system."

28. Vendor Question: "Exhibit says annual units on Zero Balance Sub Account - estimated annual units is 12 -- that would be one account, but the Scope of Service says there would be one account and all other accounts would be sub accounts sweeping into the master account."

COH Answer: "Your question is unclear but hopefully the following will clarify. We have one concentration account, into which other bank accounts (except one) are linked by a "zero balance" sweep mechanism. We have 17 separate deposit accounts, whose deposits are all swept into the concentration account at the end of the day. We have three disbursement accounts that are funded each day out of the concentration account. We have an investment account that either sweeps into or is funded by the concentration account, depending on the daily activity. And we have one separate stand-alone account that is not linked to the concentration account."

29. Vendor Question: "What is the Peg balance for the sweep to investment?"

COH Answer: "It is currently \$15 million, which we hit if we only receive a large payment late in the day that we were not expecting. We do not want to establish a fixed peg balance that will be set for the term of the Contract. We will want to change depending on yield of the money market account, the banks earnings credit rate, and how much we can earn on short-term cash by our own investment opportunities."

30. Vendor Question: "What is meant by ADT Monthly Maintenance Charge?"

COH Answer: "The Automatic Dollar Transfer Monthly Maintenance charge is for funds being swept to the City's main account."

31. Vendor Question: "Seems unusual that the electronic debits and credits are exactly the same – is this correct?"

COH Answer: "Yes, because the amounts are going out (being swept) as well as coming into the City's account."

32. Vendor Question: "What is meant by "Post No Checks Maintenance"? This account doesn't write checks and the account is flagged?"

COH Answer: "Post No Checks Maintenance means if there are any checks attempted to be cashed on this account, they would be blocked. (It is fraud protection.)"

33. Vendor Question: "Why/when would the City need branch change/currency orders if they are using the vault? Don't they use armored car? If there is something that will be going into the branch, what location would they be going into?"

COH Answer: "Several of the City's departments may have to go to branches when they are running low on change/currency due to a high volume of cash activity. Yes, an armored car is used. The departments request for change is based on an estimate. Each department uses different bank locations because there are multiple departments throughout the City."

34. Vendor Question: "What type Lockbox does the City currently have and what information are they currently getting?"

COH Answer: "Paperless package lockboxes (low volume wholesale)."

35. Vendor Question: "Is there a problem if the Lockbox address is Dallas and not Houston?"

COH Answer: "We would prefer Houston. Most payments originate locally and we think we would lose a day of float if payments were mailed to Dallas. If the overall package offered by a Proposer is compelling enough, we would be willing to compromise on other points, such as location of lockboxes."

36. Vendor Question: "Would the City be willing to look at Lockbox with image services and CD-ROM and get rid of the paper being returned?"

COH Answer: "Yes, we would be willing to consider this form of Lockbox."

37. Vendor Question: "The City mentions wanting BAI files in 15.0 and 15.2 but in what format--manual upload (or) auto-transmission?"

COH Answer: "Auto-transmission."

38. Vendor Question: "Regarding Section 8.20, would it be possible for a Bidder to win only one part of the contract – e.g. commercial card, and not the rest of the Contract?"

COH Answer: "It is possible but highly unlikely. It is our intent going into this process to hire one bank to provide all services contemplated in the RFP."

39. Vendor Question: "How does the City obtain check stock?"

COH Answer: "We order directly from the vendor."

40. Vendor Question: "Will the City consider all types of Money Market sweep investment vehicles permitted by PFIA? Are there any restrictions? Can we obtain the City's Investment Policy?"

COH Answer: "Yes, we will consider all types of MM sweep investment vehicles permitted by PFIA. We cannot approve any particular one until you show us what it is. The investment policy can be obtained by requesting it from the Treasury Division of the Controllers Office."

41. Vendor Question: "Section 3.8 regarding Deposit Slips – does the City order deposit slips through the Bank? Can we obtain samples?"

COH Answer: "Yes, the City orders the deposit slips from the bank, and they purchase them from Deluxe. Yes, examples are available."

42. Vendor Question: "Section 5.2 Payroll – Is there a payroll every Friday or just every other Friday?"

COH Answer: "There is a full payroll every other Friday. In addition, there usually are some payroll payments issued several times a week, which will be in form of checks. These usually comprise small dollar amounts and a small numbers of checks."

43. Vendor Question: "Section 10.0 Collateral – Only cash on deposit with the bank is covered by pledged collateral. The Money Market investment account is not."

COH Answer: "The City is aware of this distinction."

44. Vendor Question: "Pricing Exhibit – should all Bidders use the stated volumes to price, even if some of them appear incorrect?"

COH Answer: "Yes."

45. Vendor Question: "Pricing Exhibit – If Bidder proposes a similar product – e.g. Information Reporting – terminology does not always map over identically. Should Bidder use estimated volumes in that case?"

COH Answer: "Yes Proposer should use estimated volumes. An explanation should be included as to what assumptions are made in establishing those estimates."

46. Vendor Question: "For deposits other than 'coin' which are delivered by runner or armored car, are deposits packaged in tamper-proof plastic bags? If delivered by runner, does the runner wait for deposit verification and receipt?"

COH Answer: "Yes, all of the City's deposits are made in tamper-proof deposit bags. Yes, the runners wait for deposit verification and receipt. The armored car delivers sign-offs in a log book."

47. Vendor Question: "What is the average monthly balance in the Money Market Fund? What fund is the City currently using?"

COH Answer: "We currently are not hitting our threshold amount to transfer funds to the money market fund; so the average balance is close to zero. This will change as market conditions change."

When issued, Letter(s) of Clarification shall automatically become a part of the bid documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. It is the responsibility of the Proposers to ensure that they have obtained any such previous Letter(s) associated with this solicitation. By submitting a Proposal on this project, Proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this Proposal.

If you have any questions or if further clarification is needed regarding this Request for Proposal, please contact me at greg.hubbard@cityofhouston.net, or 832.393.8748.

Sincerely,

Greg Hubbard

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cc. James Moncur, CTR; Greg Damianoff, ARA; File

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